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UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK
Case No. 10-15774 (SMB)

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In the Matter of:

METRO-GOLDWYN-MAYER STUDIOS INC., et al.

Debtors.

- - - - -x

United States Bankruptcy Court
One Bowling Green
New York, New York

November 4, 2010
11:03 AM

B E F O R E:
HON. STUART M. BERNSTEIN
U.S. BANKRUPTCY JUDGE

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HEARING re Debtors' Motion for Order (i)Directing Joint
Administration of the Chapter 11 Cases Under Fed. R. Bankr. P.
1015(b); and (ii)Waiving Requirements of 11 U.S.C. §342(c)(1)
and Fed. R. Bankr. P. 1005 and 2002(n)

HEARING re Debtors' Motion for Order (i)Waiving Certain
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Filing of a Consolidated List of Top 50 Unsecured Creditors

HEARING re Debtors' Motion for Order (i)Dispensing with the
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Affairs; (ii)Pending the Waiver of Such Requirement, Granting
Additional Time to File Schedules and Statements of Financial
Affairs; (iii)Authorizing Debtors to File Required Monthly
Operating Reports on a Consolidated Basis; and (iv)Establishing
Certain Notice Procedures

HEARING re Debtors' Application for Order Under 28 U.S.C.
§56(c), Fed. R. Bankr. P. 2002, S.D.N.Y. LBR 5075-1, and
General Order M-409 Authorizing Retention and Appointment of
Donlin, Recano & Company, Inc. as Claims and Noticing Agent

HEARING re Debtors' Motion for Order Authorizing Retention of
Professionals Utilized in Ordinary Course of Business

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HEARING re Debtors' Motion for Order Under 11 U.S.C. §§105,
345, 363, 364, 503, 1107, and 1108 (i)Authorizing Continued Use
of Existing Cash Management System, Bank Accounts, and Business
Forms, and Payment of Related Pre-petition Obligations;
(ii)Waiving Investment and Deposit Requirements;
(iii)Authorizing Continued Engagement in Intercompany
Transactions; and (iv)According Administrative Expense Priority
Status to All Post-Petition Intercompany Claims

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(i)Authorizing, but Not Directing, Debtors to (a) Pay Certain
Pre-Petition Compensation; (b)Continue Employee Benefit
Programs; and (c)Pay Related Costs; (ii)Directing Financial
Institutions to Honor All Related Checks and Electronic Payment
Requests

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Stipulated Orders Under 11 U.S.C. §§361, 363, and 507(b), and
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Collateral and Related Relief Respecting the MGM Credit
Facility; (ii)Granting Adequate Protection; and (iii)Scheduling
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2 HEARING re Debtors' Motion for Order (i)Authorizing Limited Use
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4 United Artists Production Finance LLC); (ii)Granting Adequate
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8 Authorizing the Debtors to Pay Pre-Petition Claims in Ordinary
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11 HEARING re Debtors' Motion for Order Under 11 U.S.C. §§105(a),
12 506(a), 507(a)(8), 541, 1107, 1108, and 1129 (i)Authorizing,
13 but Not Directing, the Debtors to Pay Sales, Use, and Foreign
14 Taxes; and (ii)Directing Banks to Honor Payments Relating to
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17 HEARING re Debtors' Motion for Interim and Final Orders Under
18 11 U.S.C. §§ 105(a), 363(b), 1107, and 1108 (i)Authorizing, but
19 Not Directing, the Debtors to Pay Certain Pre-Petition
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21 (ii)Directing Banks to Honor Payments Relating to Such Charges

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3 11 U.S.C. §§105, 363, 1107 and 1108, and Fed. R. Bankr. P. 6003
4 Authorizing Payment of Pre-petition Residuals and
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7 HEARING re Debtors' Motion for Order Authorizing Payment of
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18 Shortening Time for Notice of Hearing to Consider Motion of
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20 Reduction Agreement and Transactions Thereunder, and Granting
21 Related Relief

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25 Transcribed by: Lisa Bar-Leib

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P R O C E E D I N G S

THE COURT: Please be seated. MGM.

MR. GOFFMAN: Thank you, Your Honor. Good morning.

Jay Goffman, Skadden Arps, on behalf of MGM and its affiliated debtors. Your Honor, it's my privilege to be able to stand here today to present to this Court the pre-packaged and consensual plan of reorganization for MGM Studios, the iconic film studio.

As the newspapers have reported over the last several weeks, there's been quite a drama going on here as we've tried to get to our restructuring. I'm happy to report that, as we stand here today, we not only have the necessary vote in favor of the plan but it is now based upon an agreement reached with Mr. Icahn yesterday and almost unanimously approved pre-packaged plan. So, again, what we're bringing here today is a fully negotiated pre-packaged consensual plan of reorganization.

Before I go into the substance of today's hearing, I'd like to make some introductions first and then tell the Court how we got to where we are today. First, I'd like to introduce Mr. Stephen Cooper. Mr. Cooper is the person in charge at MGM. He was brought in about fifteen months ago as vice chairman and as a member of the office of the CEO to lead this restructuring. His history is well known to the Court. He's run Enron, LyondellBasell, Krispy Kreme and many others and

1 pre-pack --

2 THE COURT: Before or after they went into bankruptcy?

3 MR. GOFFMAN: After they went into bankruptcy, Your
4 Honor.

5 THE COURT: 'Cause I would say, that's a very good
6 track record if --

7 MR. GOFFMAN: He's led the -- he's led those
8 restructurings and he's done a wonderful job. He's also, in
9 terms of pre-packs, he did the legendary Blue Bird's thirty-two
10 hour pre-pack, still the quickest one ever.

11 Mr. Cooper brought with him to MGM when he came on
12 board two of his colleagues, Mr. Brent Fernandez and Mr. Adam
13 Murphy. They've also played an integral role in this
14 restructuring and they're here today also.

15 THE COURT: Welcome.

16 MR. GOFFMAN: Also on the MGM side, I'd like to talk
17 about management. I have here today Mr. Steve Hendry, MGM's
18 senior executive vice president of finance. Mr. Hendry and Mr.
19 Cooper have both put in affidavits for today's hearing. We
20 have Mr. Charlie Cohen, an executive vice president of the
21 holding company and the CEO of the motion picture group. Mr.
22 Scott Packman, general counsel to MGM, Ms. Barbara Van Sickle,
23 deputy general counsel, and also Matt Davidson, controller.

24 There are other players on the MGM side. We have the
25 financial advisor, Moelis & Company. Key players there were

1 Mr. Navid Mahmoodzadegan -- I always have a problem with that
2 one. He could not be here today but here today are also Mr.
3 Carlos Jimenez and Rob Flachs.

4 On the legal side, outside general counsel. My
5 partners could not be here today but I feel I need to introduce
6 them since they've worked tirelessly, Your Honor. My partner
7 Nick Saggese, he leads a private equity practice and he's been
8 doing restructurings and leverage finance transactions for over
9 thirty years. My partner, Rick Madden, who is one of our
10 corporate M&A restructuring partners who has worked tirelessly
11 on it, and Glenn Walter also from our L.A. office who's worked
12 day to day on this for the last two years.

13 Now, we've also had co-counsel on this from the start.
14 We've had Ken Klee and Michael Tuchin from the firm of Klee
15 Tuchin. Klee Tuchin has been longtime outside counsel on
16 restructuring matters to MGM. Mr. Klee is well known to
17 everyone. He is one of the deans of the bankruptcy bar. We've
18 been lucky to have him aboard. And Mr. Tuchin who's here with
19 me today has been a tireless and a terrific lawyer to work with
20 on a day to day basis. By the way, I would move his motion for
21 pro hac today.

22 THE COURT: Did he pay his twenty-five bucks?

23 MR. GOFFMAN: Did you pay --

24 MR. TUCHIN: I believe that was submitted this
25 morning, Your Honor.

1 THE COURT: I'll review the application but you're
2 certainly admitted for today's purposes.

3 MR. TUCHIN: Thank you, Your Honor.

4 MR. GOFFMAN: These people and a whole slew of other
5 people who could not be here today represent the MG --

6 THE COURT: I should say, I assume you're a member of
7 the bar.

8 MR. TUCHIN: Yes.

9 THE COURT: Okay.

10 MR. GOFFMAN: -- represent the MGM side of the table.

11 But like any great drama, there were many other
12 players here. So let me introduce some of those. On the bank
13 side, Mrs. Mary Ellen Egbert. She couldn't be here today but
14 she was our managing -- she's a managing director at JPMorgan
15 Chase, the agent bank for our credit facility. We have Mr.
16 Pantaleo from Simpson Thacher and his partner, Nick Baker. Mr.
17 Pantaleo's done a wonderful job representing the bank to
18 working consensually with us. And then there were the
19 financial advisors also for the banks. Houlihan Lokey -- you
20 have Mr. Irwin Gold, Chris Wilson and Andrew Walter. They
21 couldn't be here today but they played an important role in
22 this process.

23 Your Honor, I have to say that in all the years I've
24 been restructuring, I've never had a restructuring where the
25 parties work better together, more cohesively. The amount of

1 trust -- the amount of team play that's gone into this
2 restructuring is what's brought this here today as a fully
3 consensual pre-packaged plan. Now there have been many other
4 players who have worked long and hard over the last eighteen
5 months to bring this restructuring to where we are today. And
6 I don't want to leave them out. So on behalf of the company, I
7 want to thank everyone for their efforts.

8 Now, before I actually address the motions, I'd like
9 to spend a few minutes telling you about MGM and how we got
10 here. MGM Studios is an iconic film studio company, maybe the
11 most famous in history. We have one of the world's largest
12 film libraries and film and television libraries. It includes
13 4100 theatrically released films, 10,800 television episodes.
14 We own one of the largest post-modern collection of feature
15 films in the world. It includes the post-1985 MGM library, the
16 historic United Artist library, the Orion Pictures library and
17 the PolyGram libraries. We've won over 200 academy awards
18 including fifteen best picture awards. The MGM library today
19 includes twenty-four titles in the James Bond film franchise,
20 six titles in the Rocky film franchise and several Stargate
21 television series including Stargate SG-1, the longest running
22 science fiction series in U.S. history. We also co-owned the
23 rights to produce a film based on The Hobbit, a book which has
24 sold more than a hundred million copies.

25 When one mentions the name MGM, you instantly know

1 you're talking about one of the hallowed names in entertainment
2 history. And that's why we're also pleased to be able to come
3 here today with a fully pre-packaged case that we hope will
4 allow us to emerge thirty days from now minus five billion
5 dollars of debt with a new 500 million dollar credit facility
6 and poised to move forward to great success again.

7 Let me now briefly address the corporate and the
8 capital structure. As Your Honor is aware, this filing
9 included 160 companies, the parent company and 159 subs or
10 affiliates. We did not file petitions for any foreign
11 subsidiaries, joint ventures or any bankruptcy remote entities.
12 And even though we have a storied history and a complicated
13 corporate structure, our capital structure is really very
14 simple. We basically have three debt facilities only one of
15 which is being impacted by this plan, the JPMorgan credit
16 facility, which today is about five billion dollars including
17 accrued interest. The other two are not --

18 THE COURT: Five million or five billion?

19 MR. GOFFMAN: Five billion. So let me talk briefly
20 about these three facilities. The debtors' primary credit
21 facility, again, the only one being impacted by this pre-pack
22 is the one with JPMorgan. There's about four billion dollars
23 in principal amount plus about another billion dollars in
24 accrued interest. It's secured by substantially all the assets
25 of the debtors and it's the only impaired class under the

1 claims. Under the plan, we're going to convert this into a
2 hundred percent of the equity and then the banks are going to
3 give some small amount, very tiny amount, to our new --
4 effectively, to our new CEOs in satisfaction for some assets
5 that are being distributed. And I'll go through that in a
6 little more detail.

7 Under the original plan that was sent out,
8 approximately 4.7 percent of the equity is being given by the
9 banks to our new two CEOs in satisfaction of certain interest
10 they were going to contribute. We spent the last few days
11 trying to negotiate an agreement with Mr. Icahn. And under
12 that proposed agreement, we've modified that so that most of
13 those assets are not being contributed and the equity
14 distribution going is much smaller. It's now down to one-half
15 of one percent being given. I'll go through that in more
16 detail.

17 The other two facilities. First, we have a P&A
18 facility. The P&A facility is used to fund print and
19 advertising. That's why it's called P&A costs when a film is
20 released with the actual distribution. This facility will be
21 reinstated under the plan.

22 The next one is the United Artist facility or what we
23 sometimes call the UAPF facility. The United Artist
24 entertainment is not debtor here. It's a nondebtor affiliate
25 of MGM. MGM owns sixty-two and a half percent of the equity in

1 United Artist Entertainment which was formed to develop and
2 create new theatrically released films under the United Artist
3 banner. Films released include "Fame", "Hot Tub Time Machine",
4 "Lions for Lambs" and "Valkyrie". We currently have two films
5 in post-production, "Cabin in the Woods" and "Red Dawn", both
6 of which are contemplated to be released in 2011.

7 MR. GOFFMAN: Historically, United Artist funded its
8 film production under a separate credit facility which we refer
9 to as the UAPF facility. This, currently, has stopped funding
10 event there, so we're not borrowing under that. Nevertheless,
11 for purposes of the record, I'll go through all more details.

12 The UAPF facility is a facility between two nondebtor
13 entities. However, MGM has an exclusive right to distribute
14 the films produced by United Artists pursuant to the master
15 distribution agreement. We don't -- the debtors don't have any
16 direct obligations under the UAPF facility but the proceeds
17 from the master distribution agreement are used to satisfy the
18 UAPF obligation's under the UAPF's facility, by contract. The
19 master distribution is going to be assumed under the plan. And
20 that's basically the entire cap -- long term debt structure of
21 MGM.

22 Now let's talk about what brought us here, Judge. To
23 understand why we're here today you have to go back in history
24 a little bit. So let's go back about five years ago when Mr.
25 Kirk Kerkorian still owned MGM and he put it up for sale.

1 There was a bidding process and in the end, a group of private
2 equity funds won the bid. They paid about five billion dollars
3 for it. About four billion dollars was debt finance, about a
4 billion dollars was equity.

5 Everyone had -- everyone had high hopes for the future
6 at that point. But the last few years have been difficult at
7 MGM. First, there was a massive change in the whole DVD
8 process and how DVDs are used worldwide. We didn't have great
9 luck with what certain major motion picture releases. And then
10 you had the greatest recession in the last eighty years. All
11 that combined to place MGM in a difficult position in
12 satisfying its four billion dollars of debt.

13 SO MGM brought in advisors. They brought in Skadden,
14 they brought in Klee, Tuchin, they brought in Moelis, and then
15 in the summer they brought in Mr. Cooper and his team to help
16 run this restructuring and lead us through it. One of the
17 first things that Mr. Cooper did was we had a conference call.
18 And he got on the phone with all the lenders, and there were
19 hundred of them, and he said we're going to change things.
20 We're going to fix this. We recognize the equity's out of the
21 money, we're prepared to turn over the equity to you pursuant
22 to a pre-pack, but we're also going to stop paying interest and
23 we'd like you to work with us on that.

24 And we've been operating pursuant to a forbearance
25 agreement or extensions of that forbearance agreement ever

1 since. And this is in the fall of 2009. The lenders came back
2 to us and said we're happy to work with you through the
3 forbearance -- on a forbearance agreement and we're happy to
4 have you -- we're not happy that you're not paying interest but
5 we're willing to work with you on that basis. But they said
6 don't turn over the equity to us right now. Do something
7 different.

8 They formed their own steering committee, they got
9 their biggest -- the agent bank got the biggest lenders
10 together, their hard counsel and finance advisors, and they
11 came back in and they said rather than giving us ownership
12 today, please run an M&A process. We'd like to see what the
13 bids would be. So we did that. We ran a full M&A process.
14 Went out to all the likely bidders, there were two rounds of
15 bidding, there were data rooms, there were management
16 presentations, there was diligence. And we kept working
17 through the process and then finally by the spring of 2010 it
18 became clear to us and to the steering committee that the bids
19 weren't coming in at a high enough number to satisfy people.

20 So the steering committee said let's put a stop to
21 this. We really don't like these bids; we'll do a stand-alone
22 plan. So they came to us and said that. The company then went
23 ahead and put together its stand alone plan and we made a
24 presentation to the steering committee at MGM's headquarters in
25 LA in April 2010.

1 Once we finished that, the steering committee came
2 back to us and said look, we understand your presentation. We
3 would like now to do our own diligence. We'd like to talk to
4 other experts in the field, we'd like to understand your plan
5 better, we'd like to understand if there are ways to cut more
6 costs and we'd like to figure out who's going to run this
7 company after we emerge. Because Mr. Cooper had made it clear
8 to the bank from the beginning, while he was willing to see
9 this through the restructuring process and get to the right
10 conclusion, he really wasn't interested in running MGM on a
11 going forward basis after the restructuring.

12 So during the months of June and Ju -- during the
13 months of April and May, this -- the steering committee created
14 a subcommittee. And they went out and they met with a bunch of
15 industry experts out in LA. And they narrowed the group of
16 people that we were talking to, to a handful, three or four
17 groups. One of which included the people who had founded
18 Spyglass Entertainment, Gary Birnbaum and -- I'm sorry, Gary
19 Barber and Roger Birnbaum. And they talked to them about
20 potentially coming in and being the new C -- co-CEOs. They
21 talked to a bunch of other people including Lionsgate and I
22 mention Lionsgate because that'll come back to us later.
23 Lionsgate is one of the competitors that's principally owned by
24 Carl Icahn. He's their largest share holder.

25 Ultimately, after going through all this, the

1 subcommittee came back to us and said that they'd like to do
2 the stand-alone plan with Mr. Birnbaum and Mr. Barber being our
3 new co-CEOs of the reorganized company. And we met with them
4 and we went over -- and we tried to determine whether that --
5 we thought that was the best thing for the company. We spent
6 time working through the business plan with them to make sure
7 we were all on the same page. And ultimately, after
8 considering all that and considering the interests of the
9 banks, who basically owned the company, we decided that that
10 was the best way to proceed.

11 With that, we then began to negotiate all the relevant
12 documents and ended up with a plan of reorganization. What's
13 important to note, Judge, is that one of the agreements that we
14 negotiated, an investment agreement in which certain assets
15 would be contributed, had a fiduciary out. It allowed us to
16 consider any superior proposal that came in because, again, the
17 ultimate goal was to maximize the value for the lenders here.
18 We had a plan that was going to pay everybody else in full and
19 we wanted to maximize the value. And that's why you're going
20 to see later we have a motion to set a hearing for a bre -- to
21 approve a breakup fee. That breakup fee is part of that
22 investment agreement. It's been very good for the company.

23 Okay. Now as part of -- one of the things that was
24 interesting in that is that the banks went to Mr. Birnbaum and
25 Mr. Barber and they say, look, we want you to be our new co-

1 CEOs, we want to make sure you have some skin in the game so
2 we'd like you to contribute some of your own personal assets,
3 what's called the CGS. That's what referred to two companies
4 that they own that have some film library rights.

5 So they were going to contribute those in exchange for
6 about four percent of the equity and then Spyglass, the company
7 that they founded, was going to contribute at a very small
8 percent -- number of rights in exchange for one half of one
9 percent of the equity. And that was the whole deal. it was a
10 hundred percent for the banks, a little bit of that being given
11 to the -- to Mr. Birnbaum and Mr. Barber to "let them have some
12 skin in the game" which is what the steering committee wanted
13 and to align their interests.

14 Now let's talk about what the pre-pack that we have
15 here today is. It's a very straight forward debt for equity
16 exchange. We're converting all the secured debt, approximately
17 five billion dollars, into a hundred percent of the equity of
18 the reorganized company. Again, originally, we were going to
19 give 4.7 percent of that equity in each -- to what we call the
20 CG stock holders, Mr. Birnbaum and Mr. Barber and to Spyglass,
21 in exchange for their contribution of certain assets. It was
22 split up 4.17 percent to CG, Mr. Birnbaum and Mr. Barber for
23 those assets and then one half of one percent to Spyglass.

24 Now you're read in the paper probably all about this
25 being a Spyglass transaction. That's a misnomer. It's not a

1 Spyglass transaction. This is stand-alone reorganization.
2 Spyglass is remaining a separate company; it's just that the
3 two people that founded Spyglass are now going to be our
4 current CEOs.

5 Again, that's the only impaired class of -- the only
6 impaired class of claims under our plan is the secured lenders
7 who have voted almost unanimously in favor of it. We also have
8 the equity which is getting nothing in exchange for their old
9 equity. But they've agreed to support this plan and for that,
10 we're eternally grateful. They've made this easy, they don't
11 want to stand in the way of MGM's reorganization. They're not
12 seeking anything; they're not getting anything in exchange for
13 their old equity.

14 Having documented the plan on October 27th, on October
15 7th we commenced our solicitation. First we had a conference
16 call with all the lenders, hundreds of them on it. We went
17 over the plan and, again, we've been keeping the lenders up to
18 speed throughout this process. Pursuant to the forbearance
19 agreements, we've been having conference calls with all the
20 lenders every single month. In addition, we've been working
21 with the steering committee which compromises almost half of
22 the bank debt on almost a daily basis.

23 So we started with this conference call, we explained
24 everything about the plan and we answered all their questions.
25 And then, at -- in consultation with the agent bank and the

1 steering committee, we sent out the plan, the disclosure
2 statement and the ballots. We all originally thought two weeks
3 was sufficient because everybody had been up to date on the
4 entire transaction and we moved forward. Now, about a week
5 into the process, the agent bank said some of the lenders had
6 requested some more information and some of the lenders had
7 requested another week to consider it. So we gave them the
8 information and we extended the voting deadline by another
9 week.

10 Again, I'm happy to report that the voting declaration
11 filed by Donlin, Recano, our voting agent, showed that at the
12 voting deadline we had more than satisfied the requisite voting
13 condition. We had about eighty percent of the amount and about
14 eighty percent of the number. most of the other -- most of the
15 no vote-- and we'll talk about this in a minute, belong to
16 either Mr. icon or people working with Mr. icon. Pursuant to
17 an agreement we now have with him, those votes have now been
18 changed to yes votes and therefore we believe that our plan is
19 almost unanimously in favor of approval.

20 Now there's been a lot of intrigue and drama over the
21 last few weeks and I need to explain what's happened so you
22 know where -- how we got to the settlement. As has been widely
23 reported in the press, right after we started the solicitation
24 in our plan, Lionsgate approached us again about doing a
25 transaction with them. They had been part of the auction

1 process that didn't lead anywhere. And then they've had some
2 discussions with the steering committee.

3 One of the main reasons it hadn't led anywhere prior
4 to that is that Mr. Icahn had publicly stated that he didn't
5 want to see a merger of the two studios and that he would sue
6 anybody that tried to create that. So we stayed away from
7 them. They came back to us now and said, no, no, no, we have a
8 proposal and we believe it's supported by Mr. Icahn and Mr.
9 Rachesky, the other large owner. Between Mr. Icahn and Mr.
10 Rachesky, they own about half of Lionsgate.

11 So we looked at it and the steering committee came
12 back and said, you know, we don't really like the economics and
13 we certainly don't like the corporate governance that they're
14 suggesting which including giving Mr. Icahn two board seats.
15 But first and foremost, we all agree that we needed to know if
16 this was a real proposal. Was it really a proposal that was
17 supported by Mr. Icahn and Mr. Rachesky or not? Because we
18 knew there was a litigation going on already in Canada, started
19 by Mr. Icahn with respect to his tender offer. And we told
20 them, we don't want to get in the middle of your litigation.
21 We're not looking for that. So if you want to do a trans -- if
22 you want to talk to us about a transaction, you have to come
23 back in writing to us and say here's a proposal. And in
24 writing tell us Mr. Icahn and Mr. Rachesky support it. They
25 weren't able to do that and so those discussions did not

1 proceed.

2 We continued on with our solicitation. But Mr. Icahn
3 had concluded that he wanted to merge these two studios and
4 he's not a man easily deterred. So we started on a process.
5 First he told us that he'd bought 4- to 500 million dollars of
6 our bank debt. And he was going to do everything he could to
7 block our plan. Then he put out an interesting transaction;
8 there was a put tender offer. He -- on October 21st, he
9 publicly offered to all MGM bank lenders the right to sell him
10 their loans, a put, for forty-five cents on the dollar in
11 exchange for two things; one, they're committing to vote
12 against our plan, and two, granting him a proxy to excise
13 voting rights associated with the plan.

14 The offer was conditioned on him getting at least 963
15 million dollars in principal amount of the bank debt,
16 approximately twenty-four percent, which when you add it to the
17 debt he already owned, would have given him exactly a blocking
18 position. Fortunately for all of us, Mr. Icahn wasn't
19 successful in trying to buy those votes.

20 When that didn't work, he came up with a new idea. So
21 on October 26th, he put out a new tender offer. This time, he
22 was willing to buy MGM bank debt at fifty-three cents on the
23 dollar, conditioned on getting at least fifty percent or
24 control of the bank debt and again, conditioned on those
25 parties voting against the plan. Again, the banks didn't jump

1 at that offer. We don't think he got any traction.

2 So the next day, he came out with another offer and
3 said he'll buy any debt at fifty cents on the dollar, not
4 conditioned on fifty-one percent approving it, but they still
5 had to vote against the plan. I'm very happy to tell you, Your
6 Honor, that all of those failed and as a result, at the voting
7 deadline, even including the no votes of Mr. Icahn and his
8 colleagues had tendered, we had eighty per -- about eighty
9 percent of the amount and number voting in favor of the plan.

10 So, we had the votes Friday evening. We got the tally
11 on Saturday and normally, we would have with -- we would have
12 filed on Sunday and asked for first day hearings on Monday.
13 But we got together and -- with the steering committee and we
14 said look, the best thing that we can do is try to bring a
15 fully consensual plan here. So let's put off the filing for a
16 few days, until Wednesday and see if we can negotiate an
17 agreement with Mr. Icahn. He wants some corporate governance;
18 let's see if we can satisfy him. Let's see what his issues
19 really are.

20 And over the next -- from Sunday through yesterday,
21 there were round the clock negotiations with Mr. Icahn and his
22 representatives. And I'm happy to report that we did reach an
23 agreement. It requires some minor modifications to the plan
24 that was originally sent out and I'll talk about those, but we
25 think these are all nonmaterial and don't require any -- really

1 resolicitation.

2 Let me go over what those changes are. Mr. Icahn had
3 objected to the MGM's purchase of the so-called CG library
4 assets for 4.1 percent of the new equity. That -- again, that
5 wasn't material to our plan. It was there just to make sure
6 that Mr. Barber and Mr. Birnbaum had skin in the game. It's
7 not central to the plan, it's not important to our business
8 philosophy. These aren't key assets. So as part of a
9 settlement with Mr. Icahn, we said, okay, we'll delete that.
10 They don't make that investment in us of those assets, they
11 don't get that 4.1 percent equity. Instead, the debtors will
12 either manage those assets for them at a fee, at a market fee,
13 or they'll find someone else to manage them for them.

14 Mr. Icahn raised some corporate governance issues. So
15 the amended plan will make clear a few things that we thought
16 were -- some of the things were in there already, but we'll
17 make clear; that Mr. Birnbaum and Mr. Barber are subject to the
18 control and supervision of the board; a consultant to the board
19 who will be independent of the affiliates of Lionsgate, Mr.
20 Birnbaum, Mr. Barber and Mr. Icahn, will be retained by the
21 board to work with Mr. Barber and Birnbaum on the initial
22 overhead cuts and who they will report their findings to the
23 whole board.

24 The settlement also addresses the initial appointment
25 rights of the board which was important to Mr. Icahn. So under

1 the settlement, there'll be nine directors. Two will be the
2 senior executives, Mr. Birnbaum and Mr. Barber, there will be
3 three what we call significant stockholder director designees
4 and four independent directors. The three initial nonexecutive
5 significant stockholders will be appointed in the following
6 manner. One by Mr. Icahn, one by Anchorage Capital and one by
7 Highland Capital. Those are our largest lenders here. So it's
8 consistent with people's voting rights. The four remaining
9 nonexecutive directors will be approved by the subcommittee
10 following consultation with Spencer Stuart, an executive search
11 firm, and the executive directors.

12 The amended plan will also clearly separate the roles
13 of chairman and CEO. Mr. Birnbaum and Mr. Barber will assume
14 the role of co-CEOs and will be executive directors, but they
15 won't be appointed as chairmen of the board. The
16 administrative duties of the chairman of the board will be
17 executed by the lead director who will be selected by the new
18 nonexecutive directors from among the independent directors.

19 That's basically it. I believe it's clear these minor
20 changes, and in some cases just clarifications, are not
21 material and we don't believe require any resolicitation.
22 They're supported by the company, the agent bank, the steering
23 committee, Mr. Birnbaum, Mr. Barber and Mr. Icahn. Between Mr.
24 Icahn and the steering committee alone they culled almost two-
25 thirds of the of the bank debt.

1 We've asked for a return date on that motion and I'll
2 get to that at the end of this for som -- towards the end of
3 next week. We've agreed with Mr. Icahn that well try to get a
4 determination early on to make sure that we don't require any
5 resolicitation to get these approved. So when I get to it at
6 the end, Your Honor, we're going to be asking for a hearing
7 towards the end of next week, if it fits Your Honor's
8 calendars. Just for a determination that no resolicitation is
9 required.

10 Your Honor, the stakes have been very high, the storm
11 was more fitting for an Academy Award motion picture than it is
12 for a restructuring. But, again, we are very pleased to be
13 able to present this fully consensually pre-pack.

14 Now, unless Your Honor has any questions, I'll go
15 directly into the first day motions.

16 THE COURT: Thank you. Why don't you go ahead with
17 the motions?

18 MR. GOFFMAN: Thank you. These are all what I would
19 call standard first day pre-pack motions. We've worked with
20 the U.S. Trustee, we believe, to resolve all of his concerns.
21 So, I believe there'll be no objections from anyone. If the
22 U.S. Trustee has any concerns whatsoever, we're happy to
23 address them.

24 And, again, I can provide as much detail as Your Honor
25 would like. I'll try not to repeat what's in the motion.

1 Again, these are pretty standard motions.

2 First joint administration. We're requesting that the
3 160 Chapter 11 cases be jointly administered for procedural
4 purposes only. The caption will be under Metro-Goldwyn-Mayer
5 Studios, Inc., the primary operating company, so everybody will
6 know what this case is about. We ask for a waiver of the
7 requirements that we would otherwise include the tax ID and
8 other identifying information. In lieu, we propose that each
9 part plead and file in the case include an exhibit listing the
10 names of the debtors and the last four digits of each debt --
11 respective debtor's tax ID numbers.

12 If there are no questions, Your Honor --

13 THE COURT: Is there anyone who wants to be heard in
14 connection with that motion?

15 (No response)

16 THE COURT: There's no response. The motion -- are
17 you standing up, Mr. Pantaleo?

18 MR. PANTALEO: Just to say, Your Honor, I don't want
19 to be heard. Thank you.

20 THE COURT: It would be unnecessary to say that. Now
21 I've heard you. That motion is granted.

22 MR. GOFFMAN: Thank you, Your Honor. Procedural --
23 would you like me to hand up the orders now or at the end?

24 THE COURT: At the end you can drop it off in
25 chambers.

1 MR. GOFFMAN: Very good. Then we have a second, we
2 have a motion to waive certain procedural requirements. We
3 filed the motion requesting that the Court waive the
4 requirement applicable to creditor list filings pursuant to
5 local Bankruptcy Rule 1007 and authorize the debtors to file a
6 consolidated list of their fifty largest unsecured creditors.

7 We've separately filed an application to retain
8 Donlin, Recano as Noticing and Claims Agent. Donlin, Recano is
9 prepared a list of creditors and potential parties and
10 interests. The list has been provided to the clerk of the
11 Court. Converting the debtors' computerized information into a
12 format compatible with the matrix requirements would be
13 burdensome and would create a risk of -- an unnecessary risk of
14 error in the process. So we ask that we be allowed to file a
15 single consolidated list of our fifty largest creditors.
16 Our -- it would be a very difficult process to actually go back
17 through and figure out, of these creditors, which one apply to
18 which companies. This gives a better picture of everything and
19 provides all the necessary information.

20 THE COURT: Well, in the end, they're all going to be
21 paid in full anyway, correct?

22 MR. GOFFMAN: They're all going to be paid in full,
23 Your Honor.

24 THE COURT: Is there anyone who wants to be heard in
25 connection with that application?

1 (No response)

2 THE COURT: The record should reflect there's no
3 response. The application is granted.

4 MR. GOFFMAN: On schedules and statement, Your Honor,
5 we're just simply asking to extend the deadline to file
6 schedules, statements of financial affairs and reports of
7 financial information for sixty days. We believe this case
8 will be confirmed before that deadline and therefore, at that
9 time, we -- at confirmation we would ask for a full waiver of
10 that requirement. This is consistent with -- to what's one in
11 all -- most pre-packs, Judge. As a --

12 THE COURT: Is there any --

13 MR. GOFFMAN: -- concession to the U.S. Trustee, the
14 debtors have agreed not to seek the Court's authorization to
15 waive the requirements of the 341 meeting. And I believe with
16 that, we have an agreement.

17 THE COURT: Is there anyone who wants to be heard in
18 connection with that motion?

19 (No response)

20 THE COURT: Hearing no response, the motion is
21 granted.

22 MR. GOFFMAN: Let me talk about applications to retain
23 professionals. First, the notice agent. As I mentioned, we
24 filed an application to retain Donlin, Recano as our Claims and
25 Noticing Agent. General order M409 which was adopted on

1 September 22, 2010 requires the retention of an approved claims
2 and noticing agent in a case having more than 1,000 creditors.

3 We have that and therefore Donlin, Recano is an
4 approved claims and noticing agent and we'd ask that their
5 motion be approved.

6 THE COURT: Does anyone want to be heard in connection
7 with that motion? I'll refer that motion to the clerk since
8 the agent does the clerk's duties.

9 MR. GOFFMAN: Very good, Your Honor.

10 Ordinary course professionals. We filed the usual
11 ordinary course motion. In the ordinary course of business not
12 related to this restructuring, the debtors retain many
13 professionals. We ask that we be allowed to retain them
14 without them having to file 327, 328 type applications. And we
15 seek to be able to compensate these professionals in the
16 ordinary course of business. Again, very standard pre-pack
17 motion. We've included some limitations in here.

18 We've -- the debtors propose that 106 firms will be
19 subject to a monthly cap of 50,000 dollars and 7 firms will be
20 subject to a monthly fee cap of 100,000 dollars. Each of the
21 ordinary course professionals is subject to a cap of 500,000
22 dollars for the duration of these cases and after negotiations
23 with the U.S. Trustee we've agreed that no fees in excess of
24 the monthly fee caps will be paid either without the U.S.
25 Trustee's approval or without coming back to this Court.

1 To the extent that any ordinary course professional
2 s fees exceed 500,000 dollars during that time period, they'll
3 be required to seek a separate retention under 327 and 328.
4 And each ordinary course professional is required to file and
5 serve a verified statement briefly describing the
6 professional -- who they are, the services to be rendered and
7 their customary rates.

8 THE COURT: Is there anyone who wants to be heard in
9 connection with that motion?

10 (No response)

11 THE COURT: All right, I have one change to the order.
12 In paragraph 10 it provides that the debtors are authorized
13 without further hearing or order of the Court to employ or
14 retain additional ordinary course professionals. And you
15 should change that to say that you're authorized with further
16 order of the Court --

17 MR. GOFFMAN: Yes, Your Honor.

18 THE COURT: -- to retain additional professionals.

19 MR. GOFFMAN: Yes, Your Honor.

20 THE COURT: Otherwise, the application is granted.

21 MR. GOFFMAN: Very good. As far as the other
22 professionals, what we're going to do is right after today's
23 hearing, either this afternoon or tomorrow, we're going to file
24 retention applications for my firm, Skadden, Arps, for Klee,
25 Tuchin, for Moelis, for Cooper and for Ernst & Young.

1 All these, we think, can be heard in the ordinary
2 course at confirmation, thirty days or so from now if it fits
3 Your Honor's schedule. The only one that needs to get heard
4 earlier, Your Honor, is the E&Y retention. E&Y is our auditor.
5 At the end -- on confir -- on the effective date, MGM's going
6 to get a new credit facility for another 500 million dollars to
7 have liquidity going forward.

8 In order to have that credit facility in place, the
9 bank needs the audit. In order for the -- for E&Y to finish
10 and turn over the audit, they need to be retained. So, we're
11 going to be asking for a hearing date towards the end of next
12 week to cover a bunch of things. We would hope that we could
13 have E&Y heard on that date.

14 THE COURT: All right.

15 MR. GOFFMAN: Next I have the motion to continue
16 certain banking and business practices. By the -- again,
17 standard pre-pack motion. We -- by this, we seek authority to
18 continue to use our existing cash management system, bank
19 accounts and business forms and to pay related pre-petition
20 obligations, waiver of any applicable investment and deposit
21 requirements and authority to continue engaging in
22 intercompany transactions in the ordinary course.

23 I can go into detail on each of these, but these are
24 very standard and are laid in our motion.

25 THE COURT: Does the -- do the debtors have bank

1 accounts outside of the United States?

2 MR. GOFFMAN: We d -- one moment. I believe we do,
3 Your Honor, and som -- all our deposits -- what's -- all our
4 deposits in the United States all comply with the appropriate
5 guidelines that there are in the approp -- FDIC insured or
6 otherwise. I think it's the nondebtor affiliates, actually --

7 THE COURT: Oh.

8 MR. GOFFMAN: -- that have bank accounts outside the
9 US. But it all gets funneled into the cash concentration
10 account.

11 I'm told that we do have certain accounts outside the
12 United States, but they're immaterial to our business.

13 THE COURT: We're going to do this. I'll grant this
14 on an interim basis. What are you looking for next Thursday
15 for those other motions?

16 MR. GOFFMAN: Yes, Your Honor. Thursday afternoon or
17 Friday would work.

18 THE COURT: We're closed -- I'm advised we're closed
19 next Thursday.

20 MR. GOFFMAN: Okay, Friday?

21 THE COURT: We can do it Friday.

22 MR. GOFFMAN: Okay, is there more detail that you'd
23 like for that hearing?

24 THE COURT: Well, ordinarily, I get a statement from
25 the U.S. Trustee that they're working with you. I realize that

1 this is a small -- quick case, not small case. But I would
2 like to know which -- how much money is in these accounts that
3 don't comply with the statutory requirements.

4 MR. GOFFMAN: We will get --

5 THE COURT: And how do you intend to work through it.

6 MR. GOFFMAN: We will get you that amount and we have
7 been working with the U.S. Trustee. We actually think we have
8 agreement with them. We will certainly get you the number of
9 accounts and the amounts for next Friday.

10 THE COURT: Okay.

11 MR. TUCHIN: Your Honor, we did supply the U.S.
12 Trustee with copies of the pleadings last week and have them --

13 THE COURT: Let me ask the Unites States Trustee
14 whether you've reviewed this.

15 MR. SCHWARTZBERG: Yes, Your Honor, we have and we
16 have no objection to it.

17 THE COURT: All right. Then, I'll --

18 MR. SCHWARTZBERG: I just -- I'm sorry. I just wanted
19 to note that this is just an interim order. There is a final
20 order and our right to specifically preserve them in the
21 interim order --

22 MR. GOFFMAN: And that's fine. And we'd be happy to
23 have this just as an interim and deal with this actually at the
24 confirmation hearing. And we'll let it all happen at that
25 point, if that works, Your Honor.

1 THE COURT: Well, if there's a concern about the
2 security of the money, it should be dealt with before then.

3 MR. GOFFMAN: Okay, we're happy to do that next
4 Friday.

5 THE COURT: We'll do it on next Friday. Okay.

6 MR. GOFFMAN: Very good. Next, Your Honor, the next
7 item on the agenda is the debtors' motion seeking authority to
8 continue paying or performing various pre-petition employee --
9 various employee obligations. Obviously, this is a very
10 important motion to us. The loyal employees of MGM have been
11 working hard for the last eighteen months in a period of great
12 uncertainty. It's critically important that they not be
13 impacted by this plan and both the company and the secured
14 lenders recognize that.

15 So we're asking essentially for a standard pre-peti --
16 employees-type motion. It -- that would allow us to pay pre-
17 petition obligations to current employees including pre-
18 petition wages, salaries and commissions, to pay any
19 outstanding pre-petition obligations to independent contractors
20 and consultants and temporary workers, to continue the debtors'
21 vacation and leave policies and other bonus programs, and
22 employee benefit plans and programs and to pay all fees and
23 costs in connection therewith, to reimburse employees for pre-
24 petition expenses consistent with the debtors' reimbursement
25 practices, to pay any obligations related to pre-petition

1 worker's comp claims and to withhold and to pay to the
2 appropriate authorities or agencies all related amounts that
3 are applicable or requires to be withheld from employee payroll
4 checks in respect of federal, state and local income taxes,
5 garnishments, contributions, Social Security and Medicaid taxes
6 and any other required holdings.

7 We have about 350 full time employees, Judge. That's,
8 frankly, down significantly over the last eighteen months.
9 That's in the United States and we employ approximately twenty-
10 five people in the United Kingdom and in other foreign offices.
11 We currently have arrangements with about eighty-five
12 independent contractors who support a number of different
13 departments and projects for the debtor. And we also employ
14 temporary workers on an as-needed basis.

15 Our monthly payroll expenditures for the US and Canada
16 is approximately 3.167 million dollars and the monthly foreign
17 payroll, other than Canada, is approximately 180,000 dollars.
18 The debtors made their last company-wide payroll to employees
19 on October 22nd and we made a certain supplemental payroll to
20 certain employees on October 29th. We have verified that no
21 employee has a claim against the debtors of an excess of 11,725
22 dollars on account of their employee obligations, excluding any
23 claim for accrued vacation, which is the statutory priority.

24 As of the petition date, we estimate that
25 approximately --

1 THE COURT: But you're seeking to pay unsecured claims
2 anyway, today, so what --

3 MR. GOFFMAN: That's correct.

4 THE COURT: -- difference is it if it's limited to
5 priority claims?

6 MR. GOFFMAN: You're right, Your Honor.

7 So with that, we'd ask for approval of this motion.

8 THE COURT: Is there anyone who wants to be heard in
9 connection with this motion?

10 (No response)

11 THE COURT: Hearing no response, the motion is
12 granted.

13 MR. GOFFMAN: Next, I'll turn to our motions to
14 utilize cash collateral. Obviously, we need to be able to use
15 cash collateral to run our businesses. Virtually all of our
16 cash is cash collateral of our lenders in one form or another.
17 So we've negotiated two cash collateral agreements. The first
18 is with JPMorgan under the big credit agreement. Essentially,
19 what we're providing to them is adequate protection for the use
20 of cash collateral is a pre-placement lien on existing first
21 priority collateral -- first priority lien on the unencumbered
22 property and junior liens on previously encumbered property.

23 To the extent any of those -- some of those liens, as
24 you'll see in the papers, are actually shared with the other
25 lenders of the other credit facility and I'll go through that.

1 In addition, we're providing superpriority
2 administrative claims in the event that eh liens were
3 prevented, providing -- don't provide adequate protection and
4 is subject to the normal carve-out to cover all costs and fees
5 of the estate or costs and fees of the U.S. Trustee and
6 appropriate expenses for all professionals in the case.

7 THE COURT: Are you going to pay the banks'
8 administrative claims on confirmation or are they going to be
9 rolled in as part of the equity?

10 MR. GOFFMAN: Everything's being rolled in, Your
11 Honor, making it very easy.

12 Again, the secured parties have consented to the use
13 of cash collateral in these terms. these are very simple and
14 ordinary types of cash collateral provisions and is absolutely
15 necessary to continue in the business.

16 The second cash collateral stipulation goes back to
17 what I described earlier, the UAPF facility and DDI. And
18 again, that's the other facility that's essentially used to
19 fund the making of new motion pictures under a separate
20 facility. And all we've basically done there is agreed, Your
21 Honor, to continue to honor our contractual obligations,
22 whether we owe monies on a pre-petition or post-petition basis.
23 And as Your Honor's pointed out, since we're seeking to pay all
24 obligations today, having that be our primary adequate
25 protection isn't really asking for very much.

1 We also ha -- there is a lien on certain bank accounts
2 that we've provided to them and we've agreed to keep at least
3 500,000 dollars in one of the accounts and we've also agreed to
4 limit how we use the money going forward. But again, very
5 simple, very basic adequate protection provisions, agreed to by
6 the lenders and necessary for us to continue to run our
7 business for the next thirty days while we hopefully get the
8 confirmation.

9 THE COURT: Is there anyone who wants to be heard in
10 connection with the cash collateral order?

11 MR. PEITZMAN: Your Honor, on the telephone, this is
12 Lawrence Peitzman of Peitzman, Weg and Kempinski for Danjaq LLC
13 which is the other owner of the bond franchise. And I had a
14 discussion with the debtors' --

15 THE COURT: Yes.

16 MR. PEITZMAN: -- counsel yesterday regarding a
17 modification to the order. I want to make sure --

18 MR. GOFFMAN: Yes.

19 MR. PEITZMAN: -- that it gets made.

20 THE COURT: He's nodding his head yes. What are those
21 modifications?

22 MR. GOFFMAN: Yes, I apologize. We --

23 THE COURT: Let's hear what he has to say then you can
24 disagree with him.

25 MR. GOFFMAN: We had spoken to counsel.

1 MR. PEITZMAN: Thank you, Your Honor.

2 MR. GOFFMAN: We had spoken to counsel to Danjaq, they
3 asked for some clarifying language in the order that's -- it's
4 just clarifying. It's perfectly fine with us. It's fine with
5 the agent and we have a blackline copy to hand up to Your
6 Honor.

7 THE COURT: All right. I have some other questions
8 about the order before you hand up the blackline copy. is
9 there anyone else who wants to be heard in connection with the
10 cash collateral order?

11 MR. PEITZMAN: Your Honor, this is Lawrence Peitzman
12 again. I'm sorry to --

13 THE COURT: Quite all right.

14 MR. PEITZMAN: -- but a minor thing that I just
15 noticed actually this morning as I was looking again --

16 THE COURT: Which order are you talking about?

17 MR. PEITZMAN: This is the JPMorgan --

18 THE COURT: Okay.

19 MR. PEITZMAN: -- order and I just believe that
20 when -- there was a clause that was added, Clause E after a
21 Clause D which should appear in the redline. But the
22 defined -- I believe that the defined terms post-petition
23 collateral was not moved from Clause D to Clause E and it
24 should probably, I think, unless somebody tells me I'm wrong,
25 appear at the end of Clause E and not remain in Clause D. But

1 somebody there could take a look at that, if they would.

2 MR. TUCHIN: We're taking a look at it right now, Your
3 Honor.

4 Okay, so I'm looking at page 9 of the blackline, Your
5 Honor. When we did add a Clause E that explicitly excludes any
6 real or personal property under the terms of restrictive
7 agreement --

8 THE COURT: Let me make a suggestion. Let me go
9 through my comments. You may have to change it a little more
10 and then you can send an e-mail to Mr. Peitzman so we don't
11 have to spend time --

12 MR. TUCHIN: Sorry about --

13 THE COURT: -- on this now.

14 MR. TUCHIN: -- this, Your Honor. And we're prepared
15 to accommodate his requested change.

16 MR. GOFFMAN: Absolutely, won't be any issue, Mr.
17 Peitzman.

18 MR. PEITZMAN: Great. Thank you.

19 THE COURT: All right. I'd like to comment first
20 about the findings. You have a finding, looking on page -- the
21 order that was delivered to me, page 6, paragraph H. And you
22 have a finding regarding the adequacy of notice. And one of
23 the things I'm finding or you're asking me to find is that US
24 mail sent yesterday is sufficient for a hearing at 11 o'clock
25 today. How can that be?

1 MR. GOFFMAN: No, Your Honor, that's clearly not
2 right. We will --

3 THE COURT: All right. So how did you -- who did you
4 give notice to and how did you do it?

5 MR. GOFFMAN: We've -- well, let's start with -- the
6 only parties that had an interest in this collateral,
7 obviously, we had the company, the steering committee, the
8 agent banks. We provided notice -- we posted all this on --
9 there's a website and it's all posted for anyone to get -- let
10 me find out exactly --

11 THE COURT: But, for example, with the secured
12 creditors or the steering committee or whatever, how did you
13 provide them with notice of this hearing?

14 MR. GOFFMAN: Well, we've been working with the
15 secured creditors and the steering committee.

16 THE COURT: So did you give them telephonic notice?

17 MR. GOFFMAN: We've -- they've had these documents for
18 a week and we've told them --

19 THE COURT: But he didn't know until yesterday morning
20 that the hearing was 11:00 today.

21 MR. GOFFMAN: Mr. Pantaleo is here representing the
22 steering committee and the lenders.

23 THE COURT: All right.

24 MR. PANTALEO: Your Honor, Peter Pantaleo. For the
25 record, Peter Pantaleo, Simpson Thacher, for JPMorgan as agent

1 with the syndicate. This was negotiated with us -- with our
2 client's consent. It was consented to by the agent who's the
3 collateral agent.

4 THE COURT: That's in there but how did you know to be
5 here today at 11:00?

6 MR. GOFFMAN: I called him.

7 THE COURT: All right. Well -- so you gave telephonic
8 notice.

9 MR. GOFFMAN: Yes. We gave telephonic and e-mail
10 notice.

11 THE COURT: All right. So you should modify that
12 provision to state how you gave notice.

13 MR. GOFFMAN: We will, Your Honor.

14 THE COURT: All right. Similarly, overnight courier
15 isn't going to be sufficient notice but it's here and that's in
16 the finding.

17 MR. GOFFMAN: Yes, Your Honor.

18 THE COURT: Let me see if there's anything else.

19 (Pause)

20 THE COURT: All of the debtors are giving liens on
21 their assets?

22 MR. GOFFMAN: Yes, Your Honor.

23 THE COURT: Are all the debtors liable for the debts
24 that are being compromised?

25 MR. GOFFMAN: I believe so, Your Honor, yes.

1 THE COURT: Behind all 160 debtors?

2 MR. GOFFMAN: Every one that filed, I believe is --

3 THE COURT: Okay. On page 10, I'm sure you can
4 explain it to me --

5 MR. GOFFMAN: Your Honor, I stand corrected. Not
6 every one of them is a guarantor but they all --

7 THE COURT: Are they getting any of the proceeds?

8 MR. GOFFMAN: They all benefit. It all goes into a
9 cash concentration account and to the extent necessary, they
10 get the proceeds. So they all benefit from providing -- from
11 participating in this.

12 THE COURT: On page 10, I think you were talking about
13 the replacement liens and in the body of page 10, as I read it,
14 it seems to say that all of the replacement liens under this
15 and the other cash collateral order are equal rank. And then I
16 looked at the footnote and there's a reference to junior rank.

17 MR. GOFFMAN: Yeah. To the extent that they're -- the
18 replacement liens are on different types of -- different
19 assets. They -- you know, JPMorgan has certain assets that it
20 has its lien on through the IEPF; UAPF has other assets. To
21 the extent that they're -- we're giving new liens on
22 unencumbered collateral or whatnot I believe that those are all
23 pari passu.

24 THE COURT: So these are the liens you're giving to
25 JPMorgan on assets that are collateral for the other lenders?

1 And is that what you mean by junior rank?

2 MR. GOFFMAN: Junior -- well, there's junior interest
3 on other collateral or unencumbered collateral. And both of
4 the agents have agreed to these provisions.

5 THE COURT: Paragraph 11 on page 19, you say that "if
6 an order dismissing these cases is entered, the order shall
7 provide" and then it has certain things that it should provide.
8 If a dismissal order is entered and it doesn't provide those
9 things, what's the result? It doesn't count?

10 MR. TUCHIN: The debtor is in default

11 THE COURT: I think the way you want to deal with it,
12 is to say that "no dismissal order shall effect these rights",
13 which you probably had in there at some point.

14 MR. TUCHIN: That's fine.

15 MR. GOFFMAN: Well will amend that, Judge.

16 THE COURT: All right. Paragraph 13, you're invoking
17 the protections of 363(m). I'm not sure if this is a sale or
18 lease of properties but if you're going to do that, don't you
19 need a good faith finding in your findings?

20 MR. GOFFMAN: Yes we do, Your Honor.

21 THE COURT: So what's the offer of proof on good
22 faith?

23 MR. GOFFMAN: Well, I think the proof is in the
24 declarations that have been filed by both Mr. Cooper and Mr.
25 Hendry as to the entire process we're going through to get to

1 this point. But we're happy to add finding on good faith.

2 THE COURT: All right. Subject to those changes, do
3 you have a specific finding of good faith in your --

4 MR. GOFFMAN: We will add that --

5 THE COURT: -- findings?

6 MR. GOFFMAN: -- to the findings, Your Honor.

7 THE COURT: With those changes, I'll approve the
8 cash -- the interim cash collateral order but what I want you
9 to do is when you send me a blackline copy --

10 MR. GOFFMAN: Yes, Your Honor.

11 THE COURT: -- and a clean copy, just to represent
12 that Mr. Peitzman consents to the changes or we'll have to have
13 another hearing, telephonic or in person.

14 MR. GOFFMAN: We will make certain Mr. Peitzman --

15 THE COURT: All right.

16 MR. GOFFMAN: -- we've satisfied Mr. Peitzman's
17 concerns.

18 THE COURT: And when do you want to have the final
19 hearing?

20 MR. GOFFMAN: The final --

21 THE COURT: No reason to come back in another week to
22 have another preliminary hearing.

23 MR. GOFFMAN: No. I mean, ideally, we're looking at
24 two hearings. One next Friday to cover things that have to get
25 done quickly and then a final hearing for confirmation and

1 anything else that needs to get wrapped up at that point.

2 THE COURT: Do you want to the final hearing on the
3 financing at the time of confirmation?

4 MR. GOFFMAN: I'm happy to do that. Peter?

5 MR. PANTALEO: That's fine, Your Honor. Since it's
6 not a new money deal, that's fine.

7 THE COURT: All right. So let's just hold off on
8 setting a date for the final hearing for the time being. Now,
9 the next cash collateral order.

10 (Pause)

11 MR. GOFFMAN: Oh, I'm sorry, Your Honor. Okay. Let's
12 talk about the DDI. Again, for DDI, we filed a motion to seek
13 to use their -- the DDI and UAPF cash collateral, subject to
14 limitations. In substance, what we're providing to them is an
15 agreement to continue to pay in the ordinary course whatever
16 obligations there are under those agreements, whether they're
17 pre or post-petition. As adequate protection for any
18 diminution of the value of their interest in the collateral,
19 again, we're proposing to honor our obligations under the
20 agreement. And there's a bank account that's been set up at
21 JPMorgan Chase that will hold at least a half million dollars
22 as additional protection. They're going to maintain their
23 liens in certain accounts they also have with JPMorgan.
24 Minimal amount of protection, Your Honor, we think -- and of
25 course, Your Honor, they're going to give the same

1 superpriority administrative expense to the extent that the
2 existing -- that the liens that are granted aren't sufficient.

3 Questions, Your Honor?

4 THE COURT: Does anyone want to be heard in connection
5 with this application? All right, just a couple of things. On
6 page 2, in addition to the parties to disagreement stipulating
7 and agreeing to these things, I'm finding them. And I can't
8 make these findings on the first day of the case.

9 MR. GOFFMAN: We'll correct that, Your Honor.

10 THE COURT: All right. On the other hand, you have no
11 findings, that I saw in here, regarding immediate and
12 irreparable harm, the adequacy of notice or the good faith of
13 the cash collateral lenders.

14 MR. GOFFMAN: We'll make sure that that gets added to
15 the finals.

16 THE COURT: Okay and the notice provisions so the
17 evidence in support of this should be set forth.

18 MR. GOFFMAN: The same issues, yes.

19 THE COURT: Those are the only comments.

20 MR. GOFFMAN: Very good.

21 THE COURT: With those changes, again, send me a
22 blackline and a clean copy. I don't know if Mr. Peitzman has
23 the same issue with these --

24 MR. GOFFMAN: No. I don't believe so, Your Honor.

25 THE COURT: -- as the other ones. All right. Send it

1 to me with those changes and otherwise I'll approve it. And
2 I'll schedule the final hearing for the confirmation hearing --
3 same day as the confirmation hearing.

4 MR. GOFFMAN: Thank you. Next, Your Honor, we move to
5 the motion to pay all pre-petition unsecured claims. Again,
6 this is a pre-pack, fully consensual pre-pack where we've got
7 all the requisite votes. Consistent with the Court's pre-pack
8 guidelines and consistent with the process adopted in almost
9 every pre-pack I know of, we intend to -- we would like
10 authority to pay or trade in -- and other ordinary general
11 unsecured claims info in the ordinary course.

12 THE COURT: Now you have to show irreparable harm.
13 Those are the rules.

14 MR. GOFFMAN: Well I believe that it -- let me try,
15 Your Honor.

16 THE COURT: Okay.

17 MR. GOFFMAN: I believe that --

18 THE COURT: It is your burden of proof.

19 MR. GOFFMAN: It is our burden. I believe that if you
20 take a look at the affidavits of Mr. Cooper and Mr. Hendry,
21 both provide that if we're not able to pay our independent
22 contractors or employees or vendors and all of our other
23 licensors and others, we create a real difficulty for MGM. All
24 we're seeking to hope to pay is 125 million dollars.

25 THE COURT: Is that all? Pretty soon you'll be

1 talking about real money.

2 MR. GOFFMAN: Pretty soon --

3 THE COURT: I thought it was 145 million.

4 MR. GOFFMAN: I thought it was 125 million. According
5 to my notes, Your Honor, we're seeking authorization to pay the
6 aggregate amount of up to 125 million, subject to our right to
7 come back and seek additional authority. If we don't pay these
8 in the ordinary course, we are concerned that many of these
9 parties will stop doing business with us. We've already heard
10 from the guilds and the licensors and from other parties and
11 people want to know what's going to happen here today. They
12 want to know that they're going to be paid in the ordinary
13 course. They want to know that MGM's going to live up to its
14 obligations. One of the things that happens on the pre-packs,
15 Judge -- the reason pre-packs have worked over the last twenty
16 years is there's a bond that's been developed between companies
17 that go through these restructurings and the unsecured creditor
18 community.

19 At the beginning it was very difficult to convince
20 those creditors that yes, you'll get paid in the ordinary
21 course, pursuant to a first day order. But the process has
22 developed and the secured lenders who have voted in favor of
23 this plan, knowing and that they were dissenting to these
24 payments, recognize that absent making these payments in the
25 ordinary course, we're going to immediately have difficulty

1 with vendors, with our licensors, with our employees, with all
2 of our trade, with the people that take care of our motion
3 picture materials, with the guilds, with the stars that we need
4 with motion pictures. These are payments that need to be made.
5 Otherwise Your Honor, what you're going to find is that we're
6 going to take a fully consensual pre-packaged plan of
7 reorganization that's been fully voted on and consent -- and
8 the payments again here. The payments were all identified.
9 This was identified in the plan of disclosure statement so when
10 the lenders almost unanimously voted in favor of this, they
11 demonstrated that they understood that absent making these
12 payments, we could have a real meltdown at MGM. And I believe
13 that the affidavits of Mr. Cooper and Mr. Hendry support that
14 in terms of making a finding.

15 THE COURT: I'll approve the application. The Rule
16 6003 does require irreparable -- immediate and irreparable harm
17 and I think that would incur to the process -- the whole pre-
18 pack process, particularly in a case like this where it's
19 evident that these matters have been worked out and this a true
20 pre-pack as opposed to cases that came in -- tell me they're
21 going to be out in thirty days and three years later, they're
22 still here. I'm confident that all the secured creditors will
23 be paid anyway in this case. Indeed, all the creditors will be
24 paid except for the banks who are involved in the exchange. So
25 I'll approve that application.

1 MR. GOFFMAN: Thank you, Your Honor. And with that
2 approval, we can then skip the next four motions.

3 THE COURT: But next time, you better be ready to
4 answer that question.

5 MR. GOFFMAN: Yes, Your Honor, absolutely. With that,
6 we will skip the next four motions which were going to take the
7 various types --

8 THE COURT: Okay.

9 MR. GOFFMAN: -- of pre-petition claims by categories.
10 We're going to move on to the motion to determine adequate
11 assurance of future payment for the utilities. Again, standard
12 utilities motion for a pre-pack. It -- in the ordinary course
13 of our business --

14 THE COURT: Why is this a first day motion? Is this
15 the utilities motion?

16 MR. GOFFMAN: Yes.

17 THE COURT: You get a thirty-day stay.

18 MR. GOFFMAN: Yes, Your Honor but we always -- in pre-
19 packs, we always do this on the first day because one of the
20 things you want to do, Judge, is set up a procedure. So we
21 don't want to wake up on the thirtieth day, hoping -- when
22 we're hopefully confirming it and finding that utilities are --

23 THE COURT: So why don't you just make a motion on
24 notice -- on ten days' notice or fourteen days' notice,
25 whatever the time is now. Why is this a first -- in other

1 words, this is like the monthly fee order. This is not
2 something that has to be decided on the first day of the case.
3 You have seventeen other motions here that you're making.
4 There's no emergency. You've got a thirty-day statutory stay.

5 MR. GOFFMAN: Well, yes, Your Honor. We have -- what
6 we didn't want to do, Your Honor was not -- if we don't have
7 this procedure in place -- because what it does is it puts a
8 procedure in place that says to the utilities here, we're
9 setting up this escrow. We're going to put a month's worth of
10 all utility costs into escrow and that's your adequate
11 assurance. But if you disagree, you have to come to us and you
12 have to identify --

13 THE COURT: You can put the same procedure in place.
14 To the extent you can put in place on the first day, you can
15 put in place on the fourteenth day. That's my only point.

16 MR. GOFFMAN: If Your Honor would prefer that we do it
17 in that fashion, we're happy to do it that way.

18 THE COURT: Do it on notice.

19 MR. GOFFMAN: Absolutely, Your Honor. And that just
20 brings us, Your Honor, to essentially, setting up hearings. We
21 have a motion for an order shortening time to grant breakup
22 fees and expenses. That's the investment agreement I referred
23 to earlier. Your Honor, if we could, we'd like to do that --
24 we'd like to do all -- as many of these as we can next Friday
25 when we come back to court.

1 THE COURT: Which was the one you said, for the plan
2 modification motion, had to be decided sooner rather than
3 later?

4 MR. GOFFMAN: We had a plan modification motion, the
5 motion to pay the breakup fees and the lease and E&Y are the
6 four motions we'd like to have heard next Friday.

7 THE COURT: When do you propose to have a confirmation
8 hearing in the case and the hearing to approve the disclosure
9 statement?

10 MR. GOFFMAN: In about thirty days, Your Honor.

11 THE COURT: Why don't we work backwards from here?

12 (Pause)

13 MR. GOFFMAN: We follow -- today's the 4th so I
14 believe any --

15 THE COURT: How about December 7th?

16 MR. GOFFMAN: Is there -- for confirmation, is there
17 any way we can do the week before, Your Honor?

18 THE COURT: We can do it the week before if you can
19 get notice out. Do you want to do it the 2nd?

20 MR. GOFFMAN: Well I'll be -- sure, Your Honor. I'll
21 be here for another status conference with you, I think, that
22 afternoon on our other matter.

23 THE COURT: Well then you don't even have to go back
24 to your office.

25 MR. GOFFMAN: That will be perfect, Your Honor. So if

1 we can get notice out very quickly, would you like to do
2 Thursday the 2nd?

3 THE COURT: You don't have to get it out that quickly.
4 If you want to do it on the 2nd, get the notice out. That's
5 fine.

6 MR. GOFFMAN: We will.

7 THE COURT: All right.

8 MR. GOFFMAN: In the morning, Your Honor or the
9 afternoon?

10 THE COURT: Let's do it at 11 -- no, you have that
11 other matter on in the afternoon.

12 MR. GOFFMAN: Yeah. I think we have it in the
13 afternoon.

14 THE COURT: That should take a good -- you know, that
15 could take a lot of time. So let's do it at 11:00, okay?

16 MR. GOFFMAN: Very good, Your Honor.

17 THE COURT: Let me just find that.

18 (Pause)

19 MR. GOFFMAN: So if we can do this the 2nd at 11 for
20 confirmation, disclosure statement, adequacy and other
21 procedures?

22 THE COURT: Right. Are there any other motions aside
23 from the final hearings on cash collateral that can be done on
24 that day?

25 MR. GOFFMAN: Retention.

1 THE COURT: Okay. You can just make those motions
2 returnable on that day.

3 MR. GOFFMAN: That's fine, Your Honor.

4 THE COURT: Except for the E&Y retention.

5 MR. GOFFMAN: Except for the E&Y which we'd like to do
6 next Friday with the others.

7 THE COURT: All right. Why don't you submit an order
8 scheduling that next Friday and get it down to me as soon as
9 possible?

10 MR. GOFFMAN: Very good. And we can do all four of
11 those next Friday, Judge?

12 THE COURT: Let me see, what else do we have? Plan
13 modifications --

14 MR. GOFFMAN: Plan modifications, breakup fees, E&Y
15 retention and the lease amendment.

16 THE COURT: That's the space reduction motion?

17 MR. GOFFMAN: That's correct, Your Honor.

18 THE COURT: All right. I'll put those on at 10:00
19 because I don't have anything else on those days.

20 MR. GOFFMAN: Very good.

21 THE COURT: All right. Is there anything else?

22 MR. GOFFMAN: No, Your Honor. We appreciate your
23 time --

24 THE COURT: Okay.

25 MR. GOFFMAN: -- and courtesy and we look forward to a

1 quick and successful pre-pack.

2 THE COURT: Okay. Thank you very much.

3 MR. GOFFMAN: Thank you, Judge.

4 (Whereupon these proceedings were concluded at 12:10 p.m.)

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C E R T I F I C A T I O N

I, Lisa Bar-Leib, certify that the foregoing transcript is a
true and accurate record of the proceedings.

LISA BAR-LEIB
AAERT Certified Electronic Transcriber (CET**D-486)

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Date: November 5, 2010